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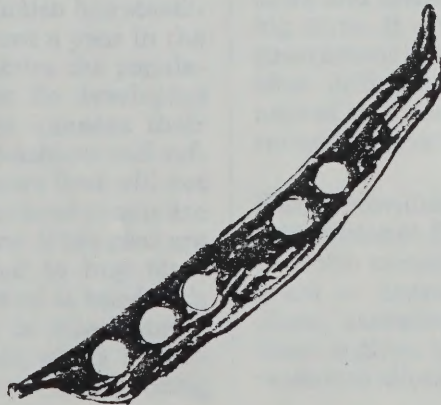
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Canadian International
Development Agency

Agence canadienne de
développement international

Food A ID

Canada's Policy



Canada



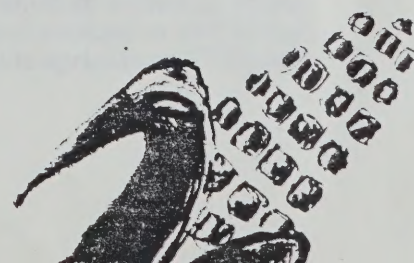
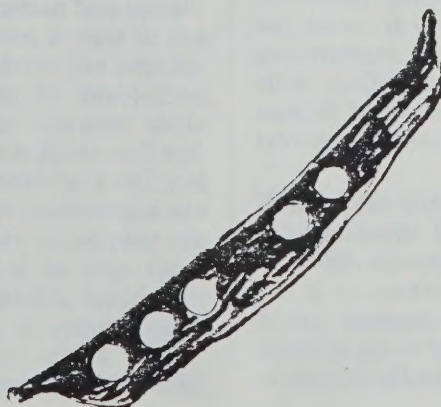
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Food aid is a valuable and flexible development resource. It can feed the hungry, save lives, and contribute in a variety of ways to a country's food security and development. Like all development resources, however, it must be planned and managed carefully if it is to be effective. The continuing tragedy of widespread hunger, often in the face of global food surpluses, often prompts calls for massive increases in food aid. But food aid is not surplus disposal. Provided under inappropriate conditions or in excess, food aid may end up doing more harm than good. It can discourage people from producing their own food and make them dependent on outsiders for their most fundamental of needs. In short, food aid can become part of the development solution, or part of the development problem.

Canadians are the largest per capita donors of food aid in the world, providing over \$400 million worth of food a year (over \$1 million each day). Canada takes special care to ensure that its food aid is part of the development solution, providing food aid only when needed, and only where it will be effective. Canadian food aid not only meets the immediate needs of the hungry, it also complements a country's long-term efforts to become more secure in its own food supply.

Food security does not come automatically after just a few good harvests. It results from careful planning, wise investment and appropriate strategies to improve agriculture and food production and increase food supplies. Canadian food aid plays a key role in progress toward food security.

Food aid for development

Although agricultural production has steadily increased by 3 to 4 per cent a year in the Third World, in many countries the population has grown even faster. So developing countries must continue to increase their food production if they are to achieve self-sufficiency. But just growing more food will not in itself solve the problem, for most people are hungry because they are poor. If the poor are to earn the money needed to buy food, economic growth must go hand in hand with increased food production. In other words, generating the incomes with which to purchase food is just as important as producing

more of it. Since poverty is the root cause of persistent hunger, eliminating hunger means alleviating poverty.

Canada uses a wide variety of instruments and channels to help Third World countries improve the lives of their people and establish a basis for sustainable economic and social development. Food aid is just one of them. Many factors come into play in deciding if, when, and how food aid is to be used.

The most important factor is need. Some countries need a little food aid, some need a lot, and some need none at all. Some need food aid targeted at nutritionally vulnerable groups, such as mothers and children; others need it to help ease their balance-of-payments problems; some need it to help address long-term problems in agriculture; still others need all three. Whatever the reason, if food aid is to be provided, it must fit appropriately into a rational development plan, including a food security strategy, drawn up by the recipient government. After all, the solutions to hunger and poverty rest with developing countries themselves, and with the resources they are prepared to commit to economic development and improved food security. A wide variety of investments, agricultural inputs, new technologies and policy adjustments are needed to achieve this goal. Developing countries cannot do it alone of course, but a mutual understanding between donors and recipients concerning the ways and means of achieving development goals is basic to the success of their cooperative efforts.

First and foremost, it is crucial that developing countries have a sound policy for agricultural development to ensure that food aid is used effectively. If not, there is the danger that free or low-cost food aid could unfairly compete with local produce, driving prices down and discouraging farmers from producing more. It could also enable the recipient government to postpone the essential, but often difficult, policy decisions and actions needed to encourage rural development and reverse stagnating or declining production.

Before providing any food aid, the Canadian International Development Agency (CIDA) — which manages most of Canada's aid program — examines national development plans, assessing whether sufficient importance is given to food production and enough resources allocated to agriculture. CIDA may

decide not to offer food aid if there is not an evident need or if a recipient has not made reasonable progress in reforming its agricultural policy.

It is also important that the recipient government establish a long-term policy to reduce poverty through programs to increase incomes and employment. With such a policy in place, food aid can complement local efforts to address the root causes of hunger and malnutrition. For instance, it can be used to help poor families through feeding programs or to create employment through food-for-work projects, in which food forms part of the salary of people working on building roads, irrigation canals and other basic infrastructure. In this respect, Canada places particular importance on multilateral food aid, provided through the UN's World Food Program (WFP), which directs its assistance to the poorest populations and encourages job creation and increased agricultural production. Support is also provided to Canadian non-governmental organizations to complement their small-scale food-for-work projects and feeding programs.

If governments are genuinely committed to reforming their policy and restructuring their economies to achieve food security, Canada is prepared to provide substantial assistance. Canadian food aid amounted to \$436 million in 1987-88 and again in 1988-89. To help governments establish the long-term planning needed to revive agricultural production, up to 75 per cent of the food aid budget can be allocated over several years, providing governments with guaranteed supplies while reforms are under way.

CIDA also assists recipients with related needs, like information gathering, policy analysis, nutrition surveillance, and food and agriculture planning, so that the implementation of policy reforms will not be hampered by a simple lack of basic information. If a country is vulnerable to crop fluctuations and disasters, Canada also helps with national emergency preparedness programs.

How food aid can help development

Hunger and malnutrition are the conspicuous symptoms of many kinds of basic economic and social ills within developing

countries. Food aid can be used in a variety of ways to respond to the specific situation in each country. Most developing countries need some combination of the various means described below.

Balance-of-payments support

Buying imported food depletes a large part of government budgets in many Third World countries. Huge food import bills, along with declining export earnings and a crushing debt burden, make it increasingly difficult for these countries to balance their budgets. Africa, for example, imports 14 per cent of the food needed to feed its people. Paying the bill takes up 20 per cent of its export earnings.

Food aid can relieve some of the pressure on a country's balance of payments by enabling the government to save on foreign exchange that would otherwise be spent to import food. Recently, for example, CIDA supplied wheat and skim milk powder to Senegal. The resulting savings in foreign exchange were used to import goods needed for development projects and to implement agricultural reforms.

When a government is spending less on imported food, it can spend more on development. The foreign exchange savings may be used for a variety of agricultural purposes: fertilizers, storage facilities, equipment for factories producing farm implements, or spare parts for agricultural machinery. In this way food aid both increases agricultural production and contributes to food security.

Support for agricultural programs

When the government of a developing country sells Canadian food aid to its people, it generates local currency which it can then use to promote food production. In Bangladesh, for example, the government is using these counterpart funds, as they are called, to offset the cost of production incentives for farmers. They can also be used to finance the construction of irrigation works, to support the expansion of extension programs and marketing systems, to encourage crop research, to provide farm credit, or to encourage the adoption of improved technology by subsidizing the cost of fertilizers and improved seeds. In Mali, money raised from the sale of Canadian food aid is being used to finance the gap between producer and consumer prices until they are eventually drawn into alignment. In this way,

food aid is helping to reduce the negative impact that high food prices, often needed to stimulate production, can have on consumers.

Structural adjustment

Many governments find that the policy reforms needed to encourage development in the rural sector are costly and politically difficult. The changes frequently involve reducing or eliminating food subsidies for urban consumers, the lowering of overvalued exchange rates, and larger investments in rural rather than urban areas. Food aid can provide a safety net for the poor, who are often the first to feel the effects of budget cuts and price increases. When the food aid is provided under a multi-year commitment, it allays fears that food shortages will occur in the short term. It can also give recipient governments the confidence to launch policy reforms, knowing that they will receive essential external support to see them through to completion. Canadian food aid to Jamaica, for example, is playing an important role in the country's structural adjustment program. Given the assurance of a steady supply of Canadian fish, the Jamaican government can continue its economic reforms confident that the poor will not face food shortages.

Rural Infrastructure

Roads and bridges are needed to bring in seeds and fertilizers and to move produce to market. Irrigation and flood control works help increase the land under cultivation and boost crop yields. These types of rural infrastructure are often built under food-for-work projects. Canadian food aid not only supports hundreds of such projects, it is also used to maintain the infrastructure that is constructed. In Bangladesh, for example, 60,000 destitute women maintain earthen roads throughout the country. Proceeds from the sale of Canadian food aid pay most of their salaries. Food aid used in this way transfers income to groups difficult to reach through other development programs, while also serving to increase agricultural production.

Maintaining food reserves

Despite all of the efforts that governments and farmers put into growing more food, they are still at the mercy of the weather. There will be lean years, there will be poor harvests. It is important to prepare for those times by maintaining national emergency reserves. Food aid may be used to establish or to

replenish such reserves, or the funds generated by selling food aid can be used to buy the needed commodities.

Bangladesh and India, for example, have known more than their share of famine. Since the tragic food crises of the mid-1970s, both have instituted early warning systems and instruments to monitor the operation of their food systems. The maintenance of emergency reserves is a key element in these governments' ability to manage food crises, and famine was averted during food emergencies in both 1984 and 1987. With Canadian support, Ethiopia is following a similar approach. It has established a grain reserve which — in the face of recent drought — has already saved time, food transport costs ... and lives.

Another complication affecting poor people's access to food is the price increase that often occurs when there are supply shortages during the off-season. Sufficient supplies of food will not necessarily be available the whole year round. Reserve stocks that have been kept up with food aid may be used to increase supplies and stabilize prices.

Reaching the poorest

Small children and pregnant and nursing mothers typically suffer most from under-nutrition in developing countries. They are the main beneficiaries of food aid provided through feeding programs operated by governments, international organizations such as the World Food Program, or voluntary groups. In Botswana, for example, children receive cooked meals at school and mothers and preschoolers receive take-home rations from health clinics, as a result of a Canada/WFP food aid program.

Since the poor cannot afford to pay the market price for local food, the government may also assist them with food stamps, cash transfers, or food-for-work schemes. Subsidies may be provided to low-income groups and managed through fair-price shops or other government-run retail outlets. Food aid can be used to supplement all of these activities.

Food aid commodities

Whether determining how much food aid to send, what type, or who will be the beneficiaries, the main criterion in reaching

a decision is effectiveness. Food aid must be effective, not just larger in quantity. It must meet the needs of the recipients and be acceptable to the tastes of the local market, or it will not be used even though people may be undernourished.

Canadian food aid is needed and welcomed in many developing countries. Certain commodities are more suitable than others, however, due to their acceptability and cost-effectiveness. Cereals and vegetable oils are the mainstays of the food aid program, with skim milk powder, fish and pulses (the edible seeds of legumes such as peas, beans and lentils) also being provided to a lesser degree.

Most of these commodities are widely acceptable. On those few occasions when they are not suitable, Canada buys from developing countries close to the country in need. As long as the food security of the supplier is not endangered, such purchases can encourage regional trade and, in some cases, prove to be the quickest and most efficient way of providing locally acceptable food. In recent years, for example, CIDA has bought corn and millet in Senegal as food aid for Mali. Currently, up to five per cent of the annual food aid budget can be used to finance such three-way cooperation and non-Canadian purchases.

CIDA may also arrange food swaps, trading Canadian food for commodities produced in the region. In 1986, CIDA sent Canadian wheat to Zimbabwe in exchange for corn that was then provided as food aid to Mozambique.

Developmental and emergency food aid

The war on hunger and poverty will not be won quickly. It is an enduring prospect. In the meantime, there are immediate, life-threatening calamities that grab the attention of the world media. They are exceptional in their suddenness and severity, and they call for emergency relief. Food aid, when provided in these circumstances, is vitally important, but it only fights isolated battles in the overall war.

Emergency food aid accounts for about 25 to 30 per cent of Canada's food aid budget. While it will still be an important life-saving

resource during emergency, relief and rehabilitation situations, Canada focuses its food resources on supporting long-term developmental needs; most food aid is sent to help combat deep-seated economic problems, which manifest themselves in unemployment, poverty, disease and hunger.

Provided in the context of a sound development strategy, food aid can forestall and eventually eliminate the emergencies. An emergency is, after all, the fuse that ignites the powder keg, when a natural or human-made disaster compounds an already grievous situation. If the standard of living can be improved and food security enhanced, the effects of the disaster can be mitigated. Crop failure, as shown by the 1987 drought in India, does not necessarily bring famine.

Food aid for the future

Canadians contribute more food aid per capita than anyone else in the world. Since 1951, we have provided over 22.5 million tonnes of food to developing countries — enough to fill over 15,000 freighters.

Through the year 2000, developing countries will continue to look to Canada, a major food exporter, for substantial and expanding food aid. CIDA's strategy is to make Canadian food aid better, not just larger.

Whether Canadian food aid is being supplied directly through agreements between CIDA and recipient governments, through the multilateral facility of the World Food Program, or through non-governmental organizations, the principle is the same: it must be an effective development tool.

Food aid has great potential as a resource for development. Well planned and managed, it will continue to be much more than a short-term response to food shortages. It is an investment that complements and supports the Third World's agricultural development and economic growth. Canadian food aid is offered to Third World countries to serve their long-term development aspirations— to be of benefit now and for the future.

New policies for food aid

In March 1988, the Government announced a new action plan that will guide Canada's official development assistance program into the next century. Entitled *Sharing Our Future*, the strategy included several new policies to help make Canadian food aid an even more effective tool for development:

- within budget projections, food aid will continue to grow by 5 per cent annually;
- up to 75 per cent of Canadian bilateral and multilateral food aid will be allocated on a multi-year basis, to facilitate long-term planning and recovery;
- all countries eligible for Canadian assistance will be able to receive food aid for development purposes;
- food aid will be provided in ways that avoid discouraging local production, while meeting the needs of recipient countries by respecting local food preferences;
- food aid will be provided to countries with which CIDA, alone or with other bilateral and multilateral donors, has the capacity to engage in a dialogue on agricultural policies and to ensure an adequate follow-up;
- food aid will be provided when the recipient country has, or is willing to adopt, a sound policy for agricultural development;
- food aid will be used especially to help the recipient country reform its agricultural policy and/or carry out structural adjustments;
- Canada will increase its use of three-way cooperation (for example, delivering Canadian wheat to Zimbabwe in exchange for corn to be provided as food aid for Mozambique);
- Canada will be prepared to help recipients improve their capacity for information gathering, policy analysis, nutrition surveillance and food and agricultural planning;
- Canada will continue to allow up to 5 per cent of its food aid allocations for untied procurement;
- the Government will continue to place particular importance on multilateral food aid, particularly on the World Food Program. It will ensure that this aid is destined to the poorest populations of developing countries, encourages job creation and increases local agricultural production.



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